Fresh Food Tax Credit:

An Agricultural Tax Credit for Fresh Food Donations

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Food Banks Canada

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Summary

There is currently no tax incentive, at the federal or provincial level, recognizing charitable donations of fresh food to food banks in Canada. Unused fresh produce, livestock, seafood and other fresh food is treated the same, from a taxation perspective, whether it is thrown into a landfill, ploughed back into a farmer's field or donated to a food bank.

This document lays out a proposal that will benefit Canada's food producers while filling an essential need for Canada's food banks and families in need.

Plan: **Strengthen Canada's agricultural sector while supplying fresh food to Canada's food banks and the people they help.**

Proposal: **Create a non-refundable tax credit that will allow food growers (farmers, fishers, livestock producers, etc.) and processors to deduct from taxes owed 25% of the wholesale value of fresh food donated to food banks.**

Potential Foregone Revenue: Up to $4,122,500 per year

Why is this proposal necessary?

In March 2012, 882,188 separate individuals, 38% percent of them children, were assisted by a food bank in Canada. Food bank use in 2012 was at an all-time high and was 31% higher than the pre-recession levels of March 2008. Food banks in Canada have served over 700,000 individuals every month for the better part of the last twelve years.[1]

Food banks acquire and share 200 million pounds of food to those in need every year. While this is a significant amount of food, it accounts for only 0.3% of the value of food products

[1] Food Banks Canada (2012). *HungerCount 2012.* Toronto: Food Banks Canada. All figures from the Food Banks Canada HungerCount survey unless otherwise noted.

manufactured in Canada each year.[2] The majority of food banks provide 3 to 5 days' worth of food, once per month, to the households they assist.

Due to the recent recession, in 2012, 35% of food banks did not have enough food to meet the need in their communities, 30% lacked adequate funding, and half were forced to give out less than usual. Regardless of the health of the economy, food banks have struggled for years to bring in enough food and funds to fill the gaps in family food pantries.

Nearly half of food banks are completely volunteer-run, and the majority of them receive no government funding. Less than 5% of food banks receive funding from the federal government, and the majority of food banks receiving provincial government funding are located in only two provinces, Quebec and New Brunswick.

Food banks are there for Canadians in need and there is very little government support for the work they do. Their lifeblood is donated food, yet there is no legislative support to encourage the agricultural sector to increase in-kind donations.

Agricultural Benefit

Because it will improve the bottom line for Canada's farmers, Canada's agricultural sector supports the proposed tax credit. While the value of the credit will amount to a small percentage of the retail market value of donated food, it will provide an important opportunity for food producers to recoup some of their production costs.

Ron Bonnett, the President of the Canadian Federation of Agriculture (CFA), feels that the recommendations put forth in this proposal are important for their members, who represent over 200,000 farm families across Canada.

> ***"Many Canadian farms already donate fresh vegetables, fruits and other products to food banks, and there is a lot of room to grow. A tax credit would have a positive effect on farmers' bottom lines, and increase the amount of nutritious food available to those in need - it's a win on both sides."***
> **-Ron Bonnett, President of the CFA**

[2] Canadian Council of Grocery Distributors, Canadian Federation of Independent Grocers & Food and Consumer Products of Canada (2006). *State of the Food and Consumer Products Industry.*

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Similar programs have been put into place in several U.S. states, including Oregon, North Carolina, Colorado, Maryland, Virginia, Pennsylvania, Texas, Ohio, Michigan, Kentucky, and Arizona.

Beneficiaries

This non-refundable tax credit would directly help Canada's agricultural sector by recognizing donations to food banks that are registered charities, from primary producers and processors of livestock, seafood, dairy products, and fresh fruits and vegetables. The credit will not be available to individuals donating fresh produce to a charitable organization.

Use of Donation

The organization receiving the food donation must be a registered charity engaged in the distribution of food without charge; and the food that is donated must be provided to the recipient without charge.

Potential Foregone Revenue

The proposed benefit will provide a non-refundable credit of 25% of the wholesale value of the quantity of the product donated. The wholesale market price of the crop would be based on:

- The amount paid to the grower by the most recent cash buyer; or
- The market price of the nearest wholesale buyer or regional u-pick market price (if there was no previous cash buyer).

Example

An apple grower allows food bank volunteers to glean his orchards at the end of harvest season. Following an afternoon of work, the volunteers are able to glean 1,000 kilograms of apples.

Calculation of tax credit

Retail value @ $3.17 per kg	$ 3,170
Wholesale value @ $1.70 per kg	$ 1,700
Tax credit value @ 25%	$ 425

The apple grower would see a reduction in tax burden of $425 for their donation thanks to the new tax credit.

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For the federal government, this represents an excellent return on its investment. Every foregone dollar invested in the tax credit could generate more than seven dollars' worth of food for food banks and families in need.

The Ontario Association of Food Banks has estimated that its member food banks will have, by 2014, the capacity to absorb a maximum of 6.8 million kg of fresh produce.[3] Ontario accounts for 35% of food bank use in Canada; extrapolating from Ontario research, we estimate a national absorptive capacity for food banks of 19.4 million kg.

Using the estimated wholesale value per kg of apples in the example provided above, 19.4 million kg X $1.70 @ 25% = $ 8,245,000.

With an estimated claim rate of 50%, the potential national foregone tax revenue could reach $ 4,122,500 annually.

Conclusion

The proposed Fresh Food Tax Credit would provide more food for Canada's food banks and families in need while creating a valuable cost-recuperation tax credit for Canada's farmers.

The plan would also represent a valuable investment for the federal government as every dollar foregone in national revenue will result in seven dollars' worth of food for Canada's food banks while simultaneously helping Canadian farmers make ends meet.

[3] Ontario Association of Food Banks. *Fighting hunger with local food: Options for a farm donation tax credit & surplus agricultural products grant.* Toronto: OAFB.

About Food Banks Canada

Food Banks Canada supports a unique network of over 3,000 food-related organizations in every province and territory, that assists more than 800,000 Canadians each month. Together our network shares over 200 million pounds of essential, safe, quality food annually, provides social programs that help to foster self-sufficiency, and advocates for policy change that will help create a Canada where no one goes hungry. Visit foodbankscanada.ca for more information.

Relieving hunger today. Preventing hunger tomorrow.

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